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# ADDITIONAL INFORMATION RELATING TO THE REVIEW OF THE SUCCESSOR PROGRAMMING ARRANGEMENTS

In its decision 98/19 of 23 September 1998, the Executive Board, inter alia, took note of the review of the successor programming arrangements (DP/1998/34); decided to apply the various financial parameters of decision 95/23 for the years 2000-2001; and reaffirmed the basic methodology for the distribution of resources described in paragraphs 21-26 of decision 95/23, with certain modifications from the year 2001.

In paragraph 12 of its decision 98/23 of 23 September 1998, the Executive Board decided that UNDP should develop a multi-year funding framework that, inter alia, would not introduce any conditionality nor result in distortions of priorities or changes in the current system of resource allocation. However, certain issues have arisen in applying the target for resource assignment from the core (TRAC) distribution methodology, which will require review by the Executive Board. These issues are outlined in chapter I of the present paper.

In paragraph 9 of its decision 98/19, the Executive Board requested the Administrator to submit at the first regular session 1999 a detailed analysis of the implications of the various scenarios outlined in paragraphs 91-97 of document DP/1998/34, including: (a) the full cost implications for both Governments and UNDP of maintaining offices in net contributor countries (NCCs), including the support provided by headquarters; and (b) the implications for the resident coordinator system and for the additional services relating to United Nations system representation provided by UNDP offices in NCCs. In paragraph 10 of the same decision, the Board requested an analysis of the proposal made in paragraph 96 of document DP/1998/34 to take NCCs out of the TRAC calculation model and manage and monitor this category as a separate group of programme countries; chapter II contains the information and analysis requested.

In paragraph 7 of its decision 98/19, the Executive Board requested the Administrator to examine ways to improve the flexibility in the allocations of TRAC-2 resources and in paragraph 8 of the same decision requested the Administrator to provide possible implications for programming arrangements resulting from the assessment of the pilot phase of the United Nations Development Assistance Framework (UNDAF). Chapter III responds to these requests.

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# I. ISSUES RELATING TO THE RESOURCE DISTRIBUTION METHODOLOGY

## A. Designation of a planning period

1. In view of the ongoing discussions on a UNDP funding strategy and the development of a multi-year (i.e., four-year) funding framework, it is recommended that the next programme planning period formally cover the four-year period 2000-2003. This would align programme planning with biennial support budget planning since the next two support budgets cover the periods 2000-2001 and 2002-2003. This alignment is also expected to facilitate the integration of programme resources and support budgets with the programme objectives and outcomes of the multi-year funding framework.

## B. Updating basic data for the calculation of TRAC-1 earmarkings

2. As explained in document DP/1998/34 (paragraph 85 and annex IV), the TRAC distribution methodology approved by decision 95/23 and extended by decision 98/19 uses basic data on gross national product (GNP) per capita and population. Preliminary TRAC-1 calculations for the period 1997-1999 were finalized in early 1996 and used the latest basic data available at the time, which were for the base year 1994. The latest basic data available at present are for the base year 1997. According to earlier practices endorsed by the Executive Board, 1997 data would normally be used in the TRAC-1 calculations for the next programming period.

## C. Designation of a period for the application of TRAC-1 calculations

3. Under the provisions of decision 95/23, the first period for the calculation of TRAC-1 earmarkings was 1997-1999. However, as noted in paragraph 1 of decision 98/19 and explained in paragraph 29 of document DP/1998/34, programme resources for the three-year period 1997-1999 had, on an exceptional basis, to be spread over a fourth year, 2000, such that no new resources were actually released for that year. Thus, the TRAC-1 earmarkings calculated under decision 95/23, in effect, cover the period 1997-2000. The Administrator, therefore, intends to apply updated TRAC-1 earmarkings to the three-year period 2001-2003.

## D. Impact of new basic data on preliminary TRAC-1 calculations

4. UNDP programming strives to uphold the principle of progressivity in the allocation of resources to lower-income countries while at the same time preserving universality of access to UNDP cooperation. The application of these principles has resulted in a gradual reduction in the level of UNDP resources provided to countries that achieve higher levels of GNP per capita.

5. The use of 1997 basic data in the approved distribution model gives rise, however, to some anomalies and distortions, such that the decline in resources for middle-income countries is drastic rather than gradual. The main reason is that since 1994, the GNP per capita for several countries with a large TRAC-1 earmarking has risen above the $750 GNP per capita breakpoint that has been used since the fourth programming cycle (1987-1991) to delineate low- and middle-income countries. 1/

6. The shift of former low-income countries, with their substantial floor entitlements, into the middle-income group places considerable constraints on the distribution of the 12 per cent share of resources available to middle-income countries. Currently, the low-income countries moving into the middle-income group carry floor entitlements equal to almost 47 per cent of the total resources available to the middle-income group. As a result, the TRAC-1 floor entitlements of the middle-income group cannot be met under a $1.1 billion per year resource scenario.

E. Breakpoint between low- and middle-income countries

7. One way to deal with this issue is to adjust the $750 GNP per capita breakpoint that is presently used to delineate low- and middle-income countries in the calculation model. The breakpoint was last revised 13 years ago (decision 85/16) for the calculation of indicative planning figures (IPFs) for the fourth programming cycle (1987-1991). On that occasion, the threshold was raised by 50 per cent, from $500 to $750.

8. The adjustment was made to reflect inflation and the $750 figure was selected because it helped to ensure that the total number of countries assigned to the low- and middle-income groups did not vary drastically from the previous cycle. Thus, the resulting calculations did not produce an abrupt change in the relative allocation of country IPF resources between the two income groups.

9. Using the same rationale, and taking into account the problem that exists in accommodating the full floor provisions, it is proposed that the breakpoint be increased by 20 per cent, from $750 to $900. It should be noted that the $900 breakpoint only partially accommodates inflation since 1985. The current threshold of $750 would have to be more than doubled if it were to reflect the full magnitude of the median inflation rate for developing countries for the period 1986 through 1997. 2/

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1/ The overall shifts resulting from the use of 1997 data are as follows: seven former low-income countries shift to the middle-income group; two former middle-income countries shift to the low income group; and four former middle-income countries become net contributor countries (at the existing NCC threshold of $4,700).

2/ This series of figures produced by the IMF/World Bank measures the average annual rate of price change in the economy as a whole in developing countries.

10. In order to avoid a drastic decline in resources for any group of countries and taking into account that a resource scenario of at least $1.33 billion per year would be needed to maintain the integrity of the current model without any alterations, the only remaining option would be to adjust the 88/12 split: a more realistic adjusted split could be in the range of 84/16.

11. On balance, the alternative of adjusting the breakpoint to $900, as recommended in the present paper, seems the most desirable for two reasons. The resulting calculations increase the focus on countries with the lowest income and LDCs. As shown in table 1, this arrangement increases the relative allocation for the poorest 35 countries from 59.2 per cent to 61.1 per cent, thereby enhancing the poverty focus of UNDP. At the same time, this alternative fully accommodates the floors of the middle-income group at an annual resource scenario of $1.1 billion, using currently available 1997 data. (Although 1997 data for 24 countries, mostly small island nations and high-income NCCs, are preliminary estimates, the inclusion of their final data should not have a notable effect on the final calculations).

## F. Preliminary calculations of TRAC-1 earmarkings

12. As explained above, in paragraphs 1 and 3, while it is proposed that the next planning period cover the four-year period 2000-2003, the TRAC-1 calculations using 1997 basic data would apply only to the period 2001-2003. Therefore, the preliminary calculations of TRAC-1 earmarkings by income group and region presented in table 1 below would apply to the three-year period 2001-2003. The calculations are based on the following parameters:

(a) A $1.1 billion annual planning figure for core resources;

(b) 1997 (or latest available) basic data;

(c) A $900 breakpoint between low and middle-income countries;

(d) Maintenance of separate 88/12 per cent shares for the low- and middle-income groups and a 60 per cent share target for the LDC group;

(e) The incorporation of transfers to TRAC resources from 2001 approved in paragraphs 4 (a) and 5 (b) of decision 98/19;

(f) The inclusion of 60 per cent of the "other resources" that were allocated to countries in Europe and the Commonwealth of Independent States in the 1997-1999 TRAC-1 figures. The 40 per cent balance of "other resources" will be reflected in the TRAC-2 earmarking for the countries of the region;

(g) The treatment of NCCs as a separate group of countries outside the calculation model (see chapter II);

(h) As in past cycles, an amount of unallocated TRAC resources is set aside to meet reserve requirements (e.g., to adjust TRAC-1 earmarkings based on final data for the base year, or for any new participant countries). An initial TRAC-1 and 2 reserve of $30 million for the three-year period 2001-2003 was used in the calculations shown. 3/ As in previous cycles, any unused portion of the reserve would be fully allocated.

(i) All other criteria and parameters contained in paragraphs 21-26 of decision 95/23 remain the same, including full application of floor protection using existing thresholds and percentages and the application of existing weight coefficients and breakpoints for basic data.

13. Table 1 compares the preliminary distribution of TRAC-1 earmarkings and the number of countries (by region and by income group) for the two periods 2001-2003 and 1997-1999. For strict comparison of the two periods, it was necessary to adjust the 1997-1999 figures to account for the proposed treatment of NCCs outside the calculating model, and the inclusion of "other resources" for the countries in the Regional Bureau for Europe and Commonwealth of Independent States in the regional breakdown. (The distribution figures for the categories of countries in this period do not include the "other resources").

14. Differences in the number of countries by region and categories are attributable to changes in GNP, in particular the movement of four countries into NCC status at the current threshold of $4,700. With the exclusion of Hong Kong, the total number of countries covered in the 2001-2003 period becomes 174. Also, having satisfied the criteria for graduation from LDC status, Vanuatu is no longer included in that category for the 2001-2003 period.

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3/ For the fifth cycle, the unallocated amount was $100 million for the 1992-1996 period (or $20 million per year); and $68 million (or about $13.5 million a year) for the fourth cycle. For the 1997-1999 period, $25 million was unallocated. An amount of $8.25 million of "other resources" for countries covered by the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) was, inter alia, financed from the 1997-1999 reserve.

Table 1. Preliminary calculations of TRAC-1 earmarkings: Percentage share distribution and number of countries by group and region

| Regions (excluding NCCs) | No. of countries | 1997-1999 Original percentage distribution | No. of countries | 2001-2003 Preliminary percentage distribution |
|---|---|---|---|---|
| Africa | 44 | 46.8% | 44 | 48.0% |
| Asia and the Pacific | 34 | 33.0% | 34 | 30.6% |
| Arab States | 12 | 7.6% | 12 | 8.0% |
| Latin America and the Caribbean | 28 | 6.3% | 25 | 4.9% |
| Europe and the Commonwealth of Independent States | 28 | 6.3% | 27 | 8.5% |
| Total | 146 | 100.0% | 142 | 100.0% |
| Categories | | | | |
| LDCs | 51 | 60.3% | 50 | 61.2% |
| Low-income countries | 67 | 88.0% | 69 | 88.0% |
| *Low-income with GNP < $375* | *35* a/ | *59.2%* | *35* | *61.1%* |
| Middle-income countries | 79 | 12.0% | 73 | 12.0% |
| NCCs | 29 | N/A | 32 | N/A |

a/ The number of countries in both cases is based on those which fall under $375 GNP per capita according to 1997 data.

## II. NET CONTRIBUTOR COUNTRIES

### A. Current arrangements for net contributor countries

15. Currently, once a country becomes an NCC (by crossing the existing $4,700 GNP per capita threshold), it receives a reimbursable TRAC-1 equivalent to 60 per cent of its earmarking in the previous period. 4/ This calculation has been part of the overall TRAC distribution model. An NCC continues to be eligible for a reimbursable TRAC-1 (calculated at 60 per cent of its previous earmarking) until its GNP per capita level exceeds $7,500.

16. At present, first-time NCCs also enjoy a three-year grace period on the reimbursability of TRAC-1, and during the initial period of the programming arrangements remain eligible, in principle, for TRAC-2 assignments based on programme quality. For the three-year grace period, first-time NCCs also continue to benefit from the local office cost (GLOC) waiver that applied during the previous programming period and thus do not yet have to meet the full amount of GLOC. Hence, the first three years function as a transition to full NCC status.

17. After the transition period, an NCC becomes responsible for 100 per cent of its GLOC. The reimbursable TRAC-1 is reduced to 60 per cent of its previous level (provided the GNP per capita level is still under $7,500) and the NCC is also no longer eligible for TRAC-2 assignments. The NCC must maintain an $8 million per year programme funded from non-UNDP sources in order for UNDP to provide a resident representative and a $12 million per year programme for the provision of a deputy resident representative as well.

### B. Analysis of alternative thresholds for net contributor countries

18. Table 2, which is based on the same set of assumptions outlined in paragraph 15, compares the existing threshold of $4,700, and alternate thresholds of $5,400, $4,000, $3,500 and $3,000. As noted above in paragraph 15 (g) and (h), in generating TRAC scenarios for the next period, NCCs have been removed from the calculating model, which assumes that any NCC requirements would be met from the TRAC reserve.

19. By financing NCC requirements from the reserve, changes in NCC thresholds per se have no impact on the pool of resources available for the calculation of TRAC-1 earmarkings for middle-income countries. However, lower NCC thresholds do affect the middle-income group in that more countries move into NCC status leaving fewer middle-income countries to share the same 12 per cent of total TRAC-1 resources. The impact of alternate NCC thresholds on the use of the reserve would also vary correspondingly.

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4/ At present there are two GNP per capita thresholds for NCCs: $4,700 separates the middle income and NCC groups of countries, and $7500 is the level beyond which no TRAC is calculated.

Table 2. Impact of alternate NCC thresholds for the period 2001-2003: Number of countries affected and annual TRAC requirements
(in millions of US dollars)

| 1997 GNP per capita threshold for NCC status | Prospective new NCCs to which three-year grace period would apply | | Existing NCCs for which reimbursable TRAC-1 is calculated | | Existing NCCs ineligible for reimbursable TRAC-1 | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | No. of countries | TRAC-1 | No. of countries | TRAC-1 | No. of countries | TRAC-1 | No. of countries (Cols. 1+3+5) | TRAC-1 annualized (Cols. 2+4+6) |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| $5,400 and above | 1 | 0.167 | 8 | 0.238 | 19 | N/A | 28 | 0.405 |
| $4,700 and above | 4 | 1.109 | 9 | 0.246 | 19 | N/A | 32 | 1.355 |
| $4,000 and above | 10 | 1.735 | 9 | 0.246 | 19 | N/A | 38 | 1.981 |
| $3,500 and above | 15 | 2.576 | 9 | 0.246 | 19 | N/A | 43 | 2.822 |
| $3,000 and above | 24 | 4.858 | 9 | 0.246 | 19 | N/A | 52 | 5.104 |

## C. Managing net contributor countries as a separate group of programme countries

20. Managing NCCs as a separate group of countries would require a set of interrelated changes:

(a) The calculation of NCC requirements outside the distribution model, including possible elimination of reimbursable TRAC (as discussed below); and

(b) Revised resource planning and management arrangements to facilitate reporting to the Executive Board on the overall cost implications of NCC participation in UNDP programming.

### Calculation of NCC requirements outside the TRAC distribution model

21. The calculation of NCC requirements outside the TRAC distribution model as described in paragraphs 18-19 above, acknowledges NCCs as a separate group of programme countries. In this connection, the Executive Board may wish to review the concept of reimbursable TRAC-1. As shown in table 2, the amounts involved are very small but require special efforts to ensure strict compliance. Given this situation, it may be desirable to eliminate the practice of calculating a reimbursable TRAC-1 for existing NCCs. For a

country that has just received NCC status, a TRAC-1 could still be calculated outside the distribution model at 60 per cent of the earmarking in the previous period (see column 2 of table 2). This TRAC-1 would apply as a transition for the three-year grace period only. At the same time, UNDP would aim to establish with each first-time NCC specific and mutually agreed country targets for increasing voluntary contributions.

22. To facilitate the transition to full NCC status at the end of the three-year period, UNDP would also pursue with all countries concerned the establishment of country-specific "revolving fund" projects. These projects would be used to finance the start-up and/or preparation of future activities to be funded from other programme resources. As envisaged, such NCC activities would be financed initially from the TRAC allocation for the last year of the grace period. Any outlays under the revolving-fund project would be subsequently reimbursed from the pertinent cost-sharing projects or programmes, or by direct Government cost-sharing contributions to the revolving-fund project.

Resource management, monitoring and reporting

23. At the same time, UNDP would fine-tune its existing resource planning and resource management mechanisms to reflect NCC-specific programming arrangements, which would include: annual reconfirmation of delegated approval authorities depending on whether NCC obligations have been met; and no advance authorization on programming.

24. Resource planning frameworks for NCCs would fully accommodate all aspects of the arrangements agreed on and ensure a careful monitoring of the envisaged and actual net costs of UNDP assistance to NCCs over time. In line with this separate management system, the annual report of the Administrator would include information on NCCs as a group.

## D. UNDP country office presence in net contributor countries and related cost implications

25. In its decision 98/19, the Executive Board requested the Administrator to analyse, under the alternate NCC scenarios, the full cost implications for both Governments and UNDP of maintaining offices in NCCs, including the support provided by headquarters. The following subsections examine the cost implications of UNDP country office presence in NCCs, as well as the implications for the resident coordinator system, including the role of UNDP in providing support to United Nations operational activities.

The role of UNDP in NCCs

26. The Administrator strongly supports the principle of graduation but at the same time recognizes the important role UNDP has to play, as the operational arm of the United Nations, in cooperating with countries at the various stages of their development. UNDP continues to make important contributions to the further advancement of graduating countries by participating in their various self-financed development activities, for which there is a continuing demand. Furthermore, the continued involvement of UNDP in NCCs can help to pave the way for more significant donor involvement by this important group of Member States.

Cost implications at alternate NCC thresholds

27. Table 3 shows the current costs of NCCs with UNDP country offices and the likely future costs of the prospective groups of NCCs that would result from alternate thresholds (using 1997 basic data). These thresholds are: $5,400, $4,000, $3,500 or $3,000. Using 1997 GNP per capita data with the existing NCC threshold of $4,700, results in three new NCCs, all of which currently have a UNDP country office.

28. The costing is based on actual experience for the 1996-1997 biennium support budget period. This biennium encompassed the last year of the fifth programming cycle (when NCCs were classified using 1989 GNP per capita) and the first year of the successor programming arrangements (when NCCs were classified using 1994 GNP per capita). Only one new NCC with a UNDP country office emerged in 1997 and it benefited from the three-year grace period for full NCC obligations (see paragraph 16).

Table 3. Potential biennial support budget implications of alternate NCC thresholds
(millions of US dollars)

| (1) GNP per capita threshold | (2) Prospective number of NCCs at alternate thresholds (using 1997 GNP) | (3) Of total prospective NCCs, those currently with a UNDP office and resident coordinator/ resident representative (using 1997 GNP) | (4) Net cost to UNDP: from 1996-1997 biennial support budget for regular resources | (5) Costs covered by programme country Governments under 1996-1997 biennial support budgets for both regular and other resources | (6) Cost to UNDP for resident representative/ deputy resident representative if NCC programme from other resources reaches $8 and/or $12 million for 2 years (using 1997 GNP) |
|---|---|---|---|---|---|
| $5,400 and above | 28 | 10 | 5.0 | 21.5 | 4.9 |
| $4,700 and above | 32 | 12 | 8.0 | 31.0 | 6.4 |
| $4,000 and above | 38 | 15 | 10.5 | 33.7 | 7.9 |
| $3,500 and above | 43 | 19 | 12.8 | 36.0 | 9.3 |
| $3,000 and above | 52 | 25 | 19.9 | 44.3 | 14.2 |

29. Column 4 of table 3 shows the net cost to UNDP of maintaining current country offices under the different NCC thresholds, based on actual costs incurred for the 1996-1997 biennium. Column 5 of table 3 shows the cost to programme country Governments of having a UNDP country office presence. This also includes cases where a NCC without a country office contributes to the GLOC assessment of a neighboring country office that provides support.

30. Column 6 of table 3 reflects the possible future cost to UNDP for current and prospective NCCs under projected programme levels where, under existing NCC criteria, UNDP would cover the cost of one or two international posts, including expenses relating to international travel and representation. All other costs relating to the UNDP country office (i.e., local staffing and operating costs such as premises, equipment, etc.) would have to be borne by the respective host Governments. In the current programming period (1997-1999), there are eight NCCs with UNDP country offices (excluding NCCs with a grace period). UNDP covers the cost of one international post in all

these offices at a cost of $3.6 million and a second international post in three of these countries at an additional cost of $1.3 million.

Cost implications for country offices

31. Experience indicates that UNDP support to NCCs, as an aggregate group, does not involve a net cost to the organization. In the fifth cycle, the current NCCs as a group provided a net surplus of $23 million to the general resources of UNDP, a favourable trend that continues to apply in the current period. Variations within the group remain the subject of continuous review and dialogue between UNDP and the relevant countries.

32. Columns 4 and 5 of table 3 indicate that prospective NCCs as a group presently cover the larger share of the cost of UNDP presence. Taking the voluntary contributions shown in column 2 into account, demonstrates that these countries as a group not only cover their total costs but also make a net contribution to the general resources of UNDP.

33. Column 5 of table 4 also shows that prospective NCCs as a group generate considerable programming funded from other resources. Current and prospective NCCs (at the $4,700 threshold) generated around $672 million in programming from other resources in the 1996-1997 biennium. This active and significant participation is indicative of the value placed on UNDP programme activities.

Table 4. Other financial information relating to alternative NCC scenarios
(millions of US dollars)

| (1) 1997 GNP per capita NCC thresholds | (2) 1996-1997 voluntary contributions of existing/ prospective NCCs | (3) 1996-1997 Additional Government contributions towards local country office costs | (4) 1996-1997 Total contributions from Governments to regular resources | (5) 1996-1997 Programme expenditures from other resources |
|---|---|---|---|---|
| $5,400 and above | 12.1 | 10.0 | 22.1 | 336.1 |
| $4,700 and above | 14.8 | 14.1 | 28.9 | 672.2 |
| $4,000 and above | 15.8 | 16.2 | 32.0 | 684.4 |
| $3,500 and above | 19.4 | 18.3 | 37.7 | 696.8 |
| $3,000 and above | 22.5 | 24.1 | 46.6 | 868.1 |

Cost implications for headquarters

34. With respect to the regular resource biennial support budget at headquarters, the cost implications of supporting UNDP country office presence in current NCCs are relatively marginal, given the minimal share of TRAC resources allocated to these countries. The headquarters staffing in the two regional bureaux where most of the current and prospective NCCs fall, have seven to eight internationally recruited staff and eight to nine locally recruited staff funded from regular resources, representing around 7 per cent of core headquarters staff. The comparatively low level of core staffing in these bureaux is the minimum capacity required for their functioning, irrespective of the number of NCCs covered. Furthermore the core cost of these same bureaux represent around 6 per cent of the core headquarters budget.

35. The support provided by central services to UNDP country offices in NCCs is also marginal. This should be seen in the context of the decentralization to the country level that has already taken place. Although there is a certain identifiable workload related to the special monitoring mechanisms for NCCs (e.g., reimbursable TRAC) this is expected to decline with the proposed streamlining of NCC arrangements as described in paragraph 26. As noted in paragraph 36, any possible additional workload is more than compensated for by the net contributions made by the NCC group.

Workload implications of NCC programmes funded from other resources

36. Both country office and headquarters workloads relating to current and prospective NCCs vary according to the level of programming funded from other resources. The nature of the workload is similar to programming under regular resources, except that additional reporting may be required from respective donors. The support cost income earned in connection with such programming, however, does provide the additional resources needed to cover the associated workload in both headquarters and country offices.

Implications for the resident coordinator system and the role of UNDP in providing support to United Nations operational activities

37. The support provided by UNDP to the United Nations system covers not only resident coordinator activities but also overall support to the United Nations system at the country level. These roles have been endorsed by the Executive Board and extend to all countries where UNDP has a country office presence, including NCCs.

38. UNDP currently attributes 27 per cent of its country office biennial support budget cost to the support of United Nations operational activities at the country level. UNDP would be expected to continue to contribute to this support in all countries where a country office presence is maintained, including NCCs. Table 5 provides a breakdown of the activities that relate to the 27 per cent of country office costs of UNDP in the 1998-1999 biennial support budget, together with other costs of UNDP support to operational activities.

Table 5. UNDP support to United Nations operational activities
1998-1999

(millions of US dollars)

| | | |
|---|---|---|
| Programme support to resident coordinator | | 22.6 |
| Country offices | | |
| United Nations system coordination | 18.9 | |
| Non-UNDP programmes for which UNDP resident representative is responsible | 18.1 | |
| Agency programmes | 32.7 | |
| United Nations system public information activities | 5.1 | |
| Requests from Secretary General | 2.8 | |
| Emergency/Humanitarian Relief | 9.0 | |
| Security on behalf of United Nations system | 8.7 | |
| Total country offices | | 95.3 |
| Development Group Office | | 2.6 |
| IAPSO | | 3.9 |
| UNV (net) | | 29.4 |
| TOTAL | | 153.8 |

39. Against this background, the Administrator strongly believes that UNDP should continue to contribute towards the cost of support to United Nations operational activities in NCCs. UNDP financing of this support in all countries where UNDP has a country office presence would demonstrate continued commitment in this respect.

## III. PROGRAMMING MATTERS

40. Reports on the possible implications for programming arrangements resulting from the assessment of the pilot phase of the UNDAF (paragraph 8), and on ways to improve the flexibility in the allocations of TRAC-2 resources (paragraph 7) are provided below in accordance with decision 98/19.

### A. Implications of the assessment of the UNDAF pilot phase

Background

41. In August 1997, the United Nations Development Group (UNDG) launched the pilot phase of the UNDAF in 18 countries. 5/ The assessment of this phase, which culminated with a workshop held in September 1998, confirmed the UNDAF as both a valuable process and product for enhancing programme coherence within the United Nations system at the country level.

42. Among the findings and recommendations emanating from the assessment was the prime role assigned to the assembly, assessment and analysis of a common set of data by the United Nations team through a common country assessment (CCA), as the point of departure for the UNDAF. 6/ The United Nations Development Group Executive Committee subsequently endorsed the various recommendations.

43. Preparation of a CCA reinforces the coordinating functions of the resident coordinator system by creating a common database and set of analyses that will serve the United Nations system and replace what organizations would normally undertake in preparation for their own country programming, thereby promoting a coordinated approach in resolving problems identified, and increasing the overall cost-efficiency of such efforts.

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5/ The following United Nations funds and programmes are members of UNDG: United Nations Development Programme, United Nations Population Fund, United Nations Children's Fund and the World Food Programme.

6/ The CCA provides an overview of national development based on the compilation and review of a common set of indicators that reflect the priorities and mandates of United Nations system organizations as well as internationally agreed on goals set by various world conferences held during the 1990s, adapted to the particular characteristics of the country. The decision to prepare a CCA lies with the locally represented UNDG organizations, led by the Resident Coordinator. Participation of other United Nations system entities (resident or non-resident) as well as international financial institutions (IFIs) is encouraged. The Resident Coordinator keeps government informed of the initiative, and the donor community and civil society may also be kept abreast of developments.

44. Grounded in the common databases and analyses of the CCA, the UNDAF 7/ enables the United Nations Country Team to: to intensify their goal-oriented collaboration in response to national development priorities; ensure coherence and mutual reinforcement among their individual programmes of assistance; and maximize the collective and individual development impact of these programmes. The programmes and related resources of the individual United Nations system participants in the UNDAF are formulated with reference to and as part of the UNDAF, but remain clearly identifiable.

Implications

45. The expansion of the UNDAF beyond the pilot phase and its grounding in the CCA both have certain implications for programming arrangements in UNDP. The CCA includes many elements currently covered by the UNDP advisory note, except for the identification of areas proposed for UNDP cooperation (which are encompassed by the UNDAF). Thus, with wider application of the CCA and UNDAF, the advisory note will be discontinued as a stage in its programming process. (The advisory note would be required only in those cases where the CCA or its equivalent is unavailable). As was the case for the advisory note, the CCA continues to provide for consultations with the Government, donor organizations and other entities at the country level.

46. Second, reference to the more comprehensive information, analyses and strategies already contained in the CCA and UNDAF would permit a considerable foreshortening of certain sections of the CCF and also provide the basis for focusing on results, by incorporating more concrete details of programme content at the CCF stage. This could be accomplished without any appreciable change in the current page limitation on the CCF document. The inclusion of additional information on programme content within the CCF document itself will in turn permit UNDP to eliminate programme outlines as a separate and subsequent step in the programming process.

B. Improving flexibility in the allocation of TRAC-2 resources

47. The move to eliminate both the advisory note and programme outlines as separate, required steps in the UNDP programming process greatly reduces the burden on both country offices and Governments. This, in turn, enhances overall flexibility in the TRAC-2 assignment process.

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7/ Responsibility for the formulation of the UNDAF lies with the locally represented UNDG organizations, led by the Resident Coordinator. Entities such as United Nations specialized agencies, regional organization and IFIs are encouraged to join or contribute to the process. Government participation and support is vital, and donor organizations, NGOs and other civil society groups can participate as appropriate. The UNDAF document, approved locally by the United Nations Country Team, outlines the totality of development cooperation proposed by United Nations system participants, and describes the objectives, strategies, duration, resource framework (subject to the allocation and approval systems of each participant), as well as options for additional resource mobilization.

48. Following the approval of the CCF by the Executive Board, the Administrator will continue to decide on the level of TRAC-2 assignments based on a careful application of the guiding principles to the programmes described in the CCF. In this connection, it is important to recognize the need to strike a balance between the level of detail required to assess programme quality, and the desirability of decentralizing programme elaboration to the country level.

49. The move towards results-based management will minimize ex ante review of documentation in favour of a system that relies more on ex post assessment of performance (see paragraph 45 of document DP/1998/34) will also permit future TRAC-2 assignments to assess how well proposed programmes articulate measurable results, and how past performance indicates the likelihood of reaching these results. The needs of countries that require additional capacity-building in these areas will continue to be taken into account in resource assignments.

50. As noted in paragraph 52 of document DP/1998/34, the TRAC-2 assignment process is intended to serve as an incentive to generate high-quality sustainable human development programming. Even modest variations around the average TRAC-2 assignment in the introductory period have served as powerful incentives to quality programming and can be expected to function in this manner in future.

51. Many of the difficulties encountered in ensuring sufficient flexibility in TRAC-2 assignments have largely been resolved through experience gained in the introductory period (e.g., learning how to manage TRAC-2 assignments for country submissions made at various points in time while still respecting the overall percentage criteria for low-income countries and LDCs).

## C. Follow-up actions

52. UNDP will continue to work with the members of the UNDG to implement the recommendations emanating from the assessment of the pilot phase of the UNDAF. The new UNDP programming manual (foreseen for distribution early in 1999) reflects the linkages of the CCA and UNDAF to the preparation of the CCF, and the elimination of the advisory note and programme outlines as separate programming steps. Until the CCA and UNDAF become more widely applied, however, existing programming procedures can continue to apply. In line with these changes, work will also continue on refining internal procedures for assessing programme quality and performance, and simplifying the TRAC-2 assignment process.

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